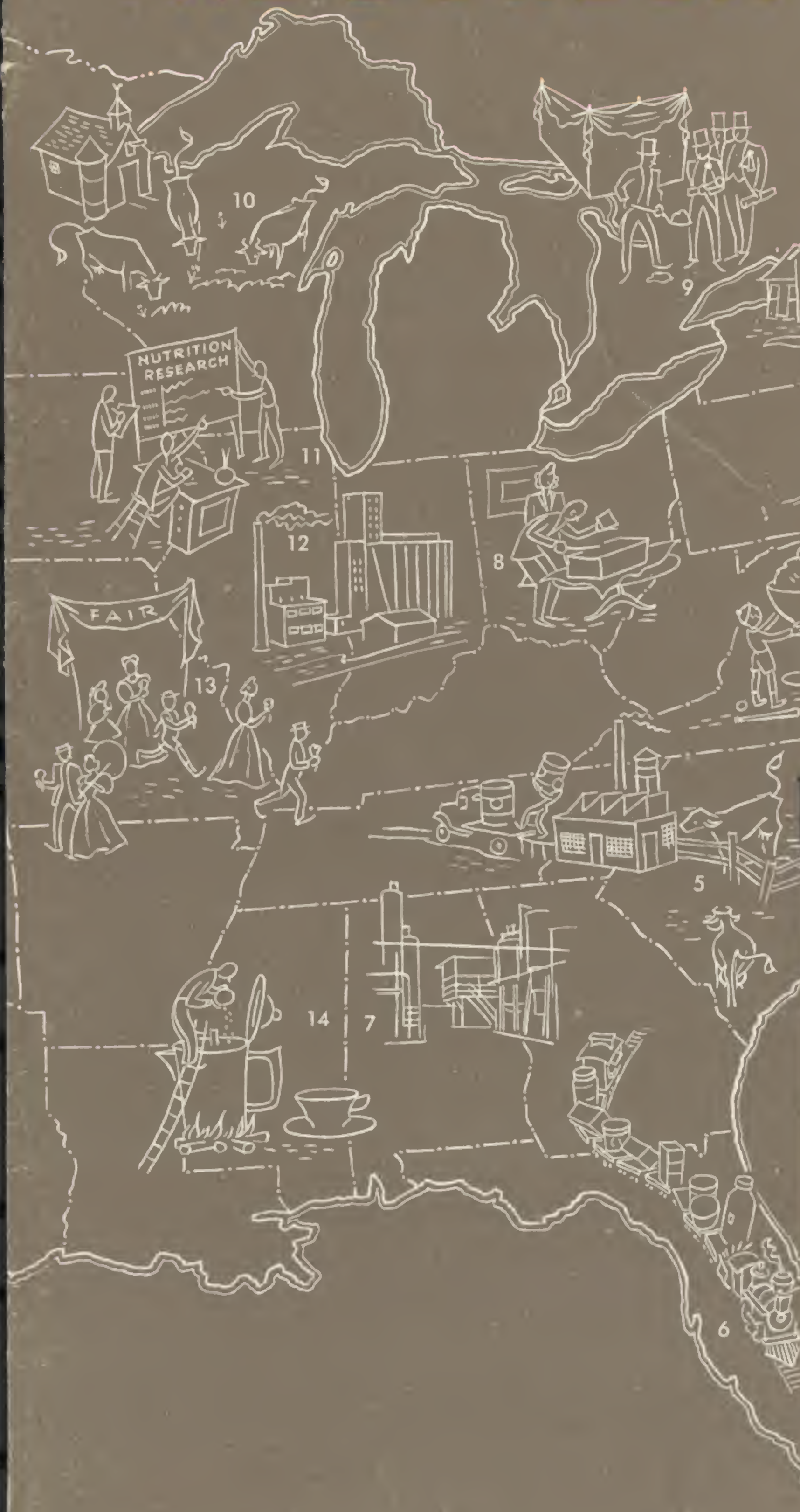
ANNUAL REPORT

THE BORDEN COMPANY

1953




CHEESES
7
Borden's
Cheese'n Bacon
Borden's
GRATED Parmesan-Romano CHEESE
Borden's
ENRICHED BISCUITS
Aged SHARP
Borden's
VERA-SHARP
PASTEURIZED PROCESS AMERICAN CHEESE
Borden's
VERA-SHARP
LIEDERKRANZ
SOFT RIPENED CHEESE
Borden's
CREAM CHEESE
PASTEURIZED
Borden's
Butter milk
Borden's
Cottage Cheese
Borden's
Gail Borden
Borden's
LIGHT CREAM
Borden's
HOMOGENIZED MILK
Borden's
HOMOGENIZED
Milk
Borden's
ICE CREAM
STRAWBERRY
Borden's
ICE CREAM
VANILLA
ELSIE
HALF-GALLON LIQUID
Borden's
ICE CREAM
CHOCOLATE
Lady Borden
BUTTERED PECAN ICE CREAM
Lady Borden
ICE CREAM

The President's Report

TO THE STOCKHOLDERS AND EMPLOYEES

THE FIGURES IN THIS REPORT OF OUR 1953 activities speak for themselves. Statistics alone, however, are not a full measure of accomplishment. While figures show the net results, they cannot give an adequate account of the plans, efforts and spirit of the men and women who carry on our enterprise. Such factors are, for the most part, unmeasurable. Yet they are largely responsible for what was accomplished and, more important, what will be done in the future.

Our people seemed more responsive than ever to forward-looking change. The adverse operating conditions of the preceding year speeded up improvements in both production and distribution. There was an intensification of a continuing search for greater per-man output — a very necessary answer to steadily mounting wage rates. And more aggressive merchandising, keyed to today's methods of marketing our goods, developed increased volume as another offset to rising costs.

Aiding the efforts of our people was the most favorable economic and political climate that the country had enjoyed in many years. The influence of this climate on our business should not be underrated.

The economy was healthy. While consumer income, the mainstay of our sales, did not increase at its former rate, the year's total was nevertheless higher than ever before. Satisfying the heavy demand were ample food supplies — in the case of dairy products, an embarrassing abundance. Buying was encouraged by a price level moderately lower than the preceding year.

The political atmosphere was cleared by a new administration in Washington. While a reduction in corporate taxes (a sizeable item in the public's grocery bill), was found neither wise nor

When tank trucks are used to collect milk from farms, they eliminate transportation of milk in cans, assure a high quality product and reduce waste.

THE BORDEN COMPANY

ANNUAL REPORT FOR 1953

BOARD OF DIRECTORS

OFFICERS

Theodore G. Montague, *President*
Harold W. Comfort, *Executive Vice President*
Cecil I. Crouse, *Vice President*
Charles A. Eckburg, *Vice President*
Willis H. Gurley, *Vice President*
Charles F. Kieser, *Vice President*
William F. Leicester, *Vice President*
Harry A. Ross, *Vice President*
Roy D. Wooster, *Vice President*
Everett L. Noetzel, *Treasurer*
Douglas T. Orton, *Secretary*
Joseph O. Eastlack, *Assistant Vice President*
Stuart Peabody, *Assistant Vice President*
Theodore O. Hofman, *General Controller*
Harry L. Camp, *Assistant Treasurer*
Louis Csenge, *Assistant Secretary*
Kenneth J. Neagle, *Assistant Secretary*

CORPORATE DATA

EXECUTIVE OFFICES
350 Madison Avenue, New York 17, N. Y.

REGISTERED OFFICE
117 Main Street, Flemington, N. J.

GENERAL COUNSEL
Milbank, Tweed, Hope & Hadley
15 Broad Street, New York 5, N. Y.

AUDITORS
Haskins & Sells
250 Park Avenue, New York 17, N. Y.

REGISTRAR
Bankers Trust Company
16 Wall Street, New York 5, N. Y.

TRANSFER AND DIVIDEND DISBURSING AGENT
The Chase National Bank of the City of New York
11 Broad Street, New York 15, N. Y.

CONTENTS

fiscally possible in 1953, the prospect of lower taxes in 1954 was encouraging. The trend toward unsound regulation was reversed. Price controls came to an end, and with them a situation that had oppressed some of our operations in previous years. The complicated problem of farm price supports was not solved, nor did there seem to be any ready solution. But it was heartening to see government leaders earnestly tackling a problem that had so long been ignored or side-stepped.

The support prices of 1953 were sufficiently high to stimulate a near-record production of milk. On February 15, 1954 the support prices of dairy products were set lower for the year beginning April 1, 1954. At this writing, however, it is not possible to predict with any reasonable degree of accuracy the effect of these reductions on the flow of milk in the coming year.

This and other problems face us as we enter 1954. Many forecasts point to somewhat less prosperous times for business generally. We do not share this pessimism insofar as the food industry is concerned. Some types of business will undoubtedly decline but the food industry, in this stable economy of ours, should not fare badly. Consumer income may not hold to its recent heights, but a people accustomed to eating well will not change their habits easily. Population growth will be another important factor in maintaining or increasing sales of food. The predicted tapering-off of demand for consumer equipment and other so-called "hard goods" may leave more income to be used for food purchase. And these funds may be further augmented by the lowered personal income taxes.

We can anticipate more vigorous competition in all industries. Accustomed to an expanding volume, each business will naturally attempt to maintain its own rate of increase no matter what the trend of the over-all market. In the food industry the struggle will probably be intensified by some accepting profits that are below historic levels. In the dairy industry, the situation probably will be aggravated by abnormally large supplies of milk seeking a market.

We recognize these factors but remain confident. The essentiality of milk products assures stability to our business. The country has been through many major crises during Borden's history of nearly a century, yet the Company has given a balanced performance, holding to a firm middle course and minimizing the wide swings of both depression and boom. We look forward to 1954 with confidence, anticipating a good volume of business and well-sustained profits.

SALES The sales of the Company and its consolidated subsidiaries increased again. They amounted to $792,381,721, or 3% more than the $768,019,612 of 1952. The gain was due principally to greater volume, since prices were generally lower than in 1952. The sales were the largest in our history.

PROFITS Our net income amounted to $20,264,156, an increase of 15% over the $17,667,137 of 1952. It equalled $4.71 per share of stock outstanding at the close of the year, as compared with $4.11 a year earlier. It was 2.6 cents per dollar of sales; the return on sales was 2.3 cents in 1952 and averaged 2.9 cents over the past 20 years.

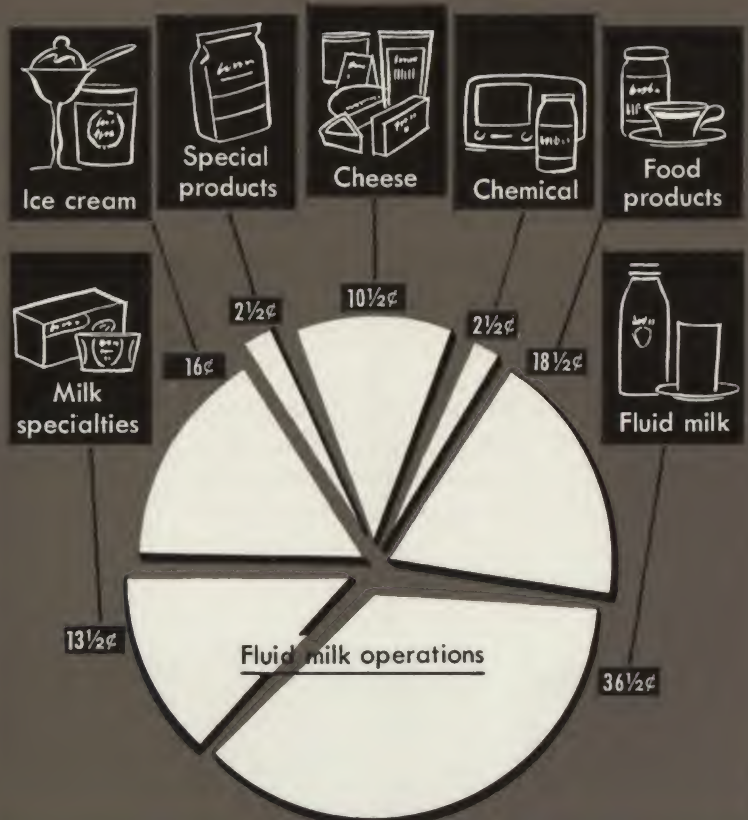
President Theodore G. Montague

The higher net income was due to several factors. A larger volume of goods was handled. Some operations regained their earning capacity with the removal of price controls, which had penalized them severely in the two preceding years. As farm prices declined we recovered some margins that had been lost while these prices were rising. And new equipment and methods improved efficiency and thus helped earnings.

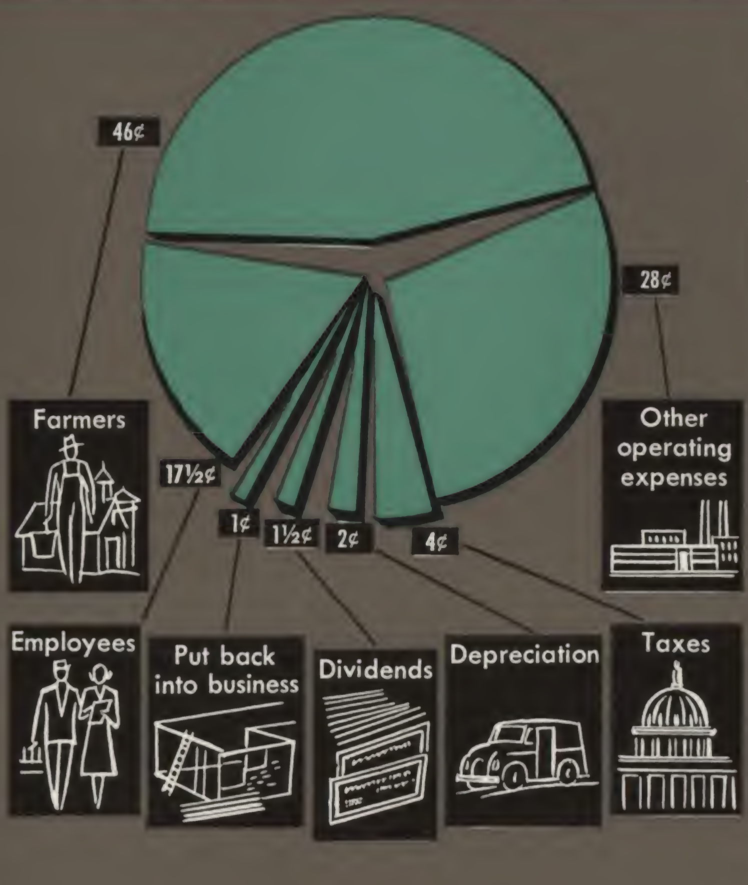
Our equity in the earnings of the unconsolidated foreign and domestic subsidiaries was approximately $1,650,000. This compares with

The Borden Sales Dollar

WHERE IT CAME FROM...



WHERE IT WENT...



$1,250,000 in 1952. These subsidiaries, which are using earnings to finance their development, paid us about $36,000 in dividends. In 1952 we received $570,850 from this source.

TAXES U. S. and Canadian Federal income taxes totaled $22,102,585, an increase of $6,360,175 over 1952 taxes of $15,742,410. Our U. S. income taxes rose because our taxable income was higher. They included a provision of $1,493,000 for the excess profits tax, which expired Dec. 31.

DIVIDENDS With our 175th dividend, on Dec. 19, we rounded out 55 years of continuous dividend payments to stockholders. The year's dividends totaled $2.80 per share, the same as in the three prior years. A total of $12,034,800 was paid to shareholders during the year.

INVENTORIES Our inventories were $67,971,612 at the end of the year. They were 17% lower than 1952, when unusual conditions made it necessary to carry heavy stocks of some products. The lower price level was, of course, another reason. We continued to use the last-in, first-out (LIFO) basis for valuing stocks of certain products, and therefore changes in the price level had a limited effect on our earnings. Had we not used this method our inventory values would have been $8,731,752 higher.

WORKING CAPITAL Current assets of $162,863,732 and current liabilities of $43,284,970, a ratio of 3.76 to 1, left us a balance of $119,578,762 as working capital — the largest in the Company's history. It was an increase of $3,657,475 over 1952.

CAPITAL EXPENDITURES Replacements and new facilities to modernize and expand our plants and equipment cost $14,070,813, an increase of $1,520,619 over the previous year. We plan to spend somewhat more for these purposes in 1954. The Board of Directors has authorized a capital expenditures budget of $13,964,000. Supplemented by $4,358,416 previously approved but not spent, this will make $18,322,416 available for capital expenditures in 1954. In addition, we may obtain additional facilities through the lease of equipment and real estate.

PLANTS AND PROPERTIES Construction scheduled for 1954 includes fluid milk plants at Pensacola, Fla., and Detroit, Mich., as well as ice cream manufacturing facilities in several cities. The Food Products Division, in carrying out its policy of centralizing manufacturing operations, will enlarge some existing plants to handle the volume of those that are closed.

COMPANY OWNERSHIP The Company's stock continued to be widely distributed. There were 50,605 shareholders at the close of the year; there were 51,324 a year earlier. The average shareholding was 85 shares, with no stockholder owning as much as 1% of the total shares. The Company purchased 22,659 shares and reissued 27,659 shares for the acquisition of new businesses and under the stock option plan. At the close of the year there were 4,300,000 shares outstanding; there were 4,295,000 shares a year earlier.

LITIGATION The civil action charging the Company with anti-trust law violations in Chicago was dismissed by the U. S. District Court after the Government had presented its case. The Government has appealed the decision to the U. S. Supreme Court, which should hear arguments in the case in 1954. There was no significant change in the status of other actions of a similar kind referred to in previous Reports.

THE EMPLOYEES Benefit payments under our voluntary group insurance programs exceeded $1,000,000 for the first time since the plans were established. The non-occupational accident and health insurance plan—covering 18,358 employees —paid $391,193 to 1,995 members. Our group life insurance program, providing coverage to 18,192 employees, paid benefits of $616,000 to 190 beneficiaries. Since their inception, these plans have provided almost $9,900,000 in benefits to employees or their families.

In addition, employees participated in the protection afforded by the Blue Cross Hospital and Blue Shield Surgical-Medical plans in communities where these programs were available.

The ninth year of our Quarter Century Club was marked by the entry of 571 new members. In addition, 59 members of the Club were hon-

Earl Warren (left), while Governor of California, gave commendation to J. M. Taylor, our Sacramento Division's manager on the centennial of Borden's Capital Dairy in Sacramento. Prize-winning Jersey, "Sybil Double Etta," looks on.

President Montague (left) presents a Quarter Century Club certificate to Charles A. Eckburg, Vice President of Borden's in Charge of Cheese Operations. The Club honors Borden employees with 25 or more years' service.

ored for 40 years of service, and 2 for a full half-century. This organization was founded to honor employees with 25 years or more of service, and has 5,966 members. Of these, 4,817 are still in active service — about 1 in 7 of the Company's total of 32,465 employees.

SAFETY PROGRAMS Although final figures are not yet available, it appears that we have improved our vehicle and plant safety performance and reduced the cost of accidents, which has been high in the last several years. Several unusual safety records were established. Our Wheeler Cheese Company plant at Green Bay, Wis., operated 44 consecutive months—1,383,720 man hours—without a lost-time injury; 139 other operations received citations for improved safety performance; 1,139 Borden drivers completed 15 or more consecutive years of driving without a preventable accident, and of these 197 rounded out 20 consecutive years of safe driving.

ADVERTISING Expenditures for advertising were increased. The larger volume of products moving through self-service stores, and the consequent need to pre-sell consumers, was primarily responsible for the intensified promotion.

One of Borden's newest combination fluid milk and ice cream plants — in San Antonio, Texas. Construction scheduled for 1954 includes fluid milk plants at Pensacola, Fla., and Detroit, Mich.; and ice cream manufacturing facilities

Campaigns promoting individual products were continued on a more aggressive basis, as was the All-Borden program featuring the full line of principal Borden products, the Borden brand and Elsie the Cow. All major media were used, with TV taking an increased share of the total.

The great popularity of Elsie the Cow was maintained through promotion and personal appearances attracting a million visitors. In 14 years of travel Elsie has been seen by upwards of 25,000,000 people. Elsie is known and identified as Borden's chief salesman by nearly three-quarters of the public, according to independent research.

A regional campaign promoting principal products was carried out on an experimental basis. Major markets in California and Arizona were selected for the campaign, which involved merchandising, advertising and public relations activities on an unusual scale. The program will be repeated in another area in 1954.

About half of our more than 9,000 vehicles

now carry the new decoration featuring the Elsie-Daisy design which appears on the cover of this report. Most of the remaining vehicles will be converted during 1954.

IN CONCLUSION We disposed of our produce operations, which had served Northern New Jersey and parts of the Metropolitan New York area. Results had been unsatisfactory for some time and, because of market conditions, there seemed little likelihood of improvement.

* * *

Cecil I. Crouse, formerly assistant vice president, who has headed our Law Department since 1942, was elected a vice president on Nov. 24.

* * *

I am grateful to all members of the organization who, working together, provided the ideas, skills and labor that made the year one of the most successful in the Company's history.

* * *

I am thankful also for the interest and support of our stockholders, particularly those who have written me during the past year. We welcome these communications, whether they be critical or complimentary, and each receives the careful consideration of management.

* * *

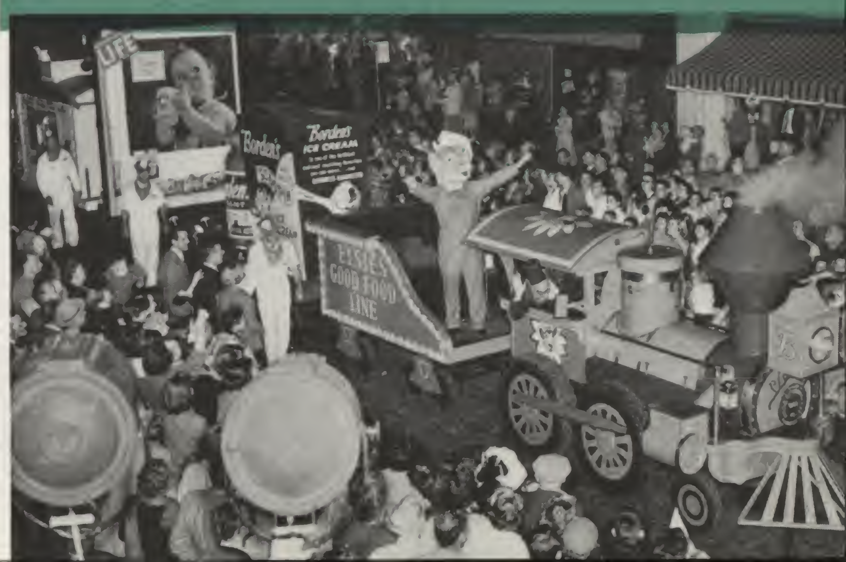
Significant activities of our operating divisions and our operations in Canada are detailed in the pages that follow. On pages 18 and 19 appears in tabular and graphic form a financial summary of our activities since World War II. The financial statements of the Company and the certificate of the independent auditors are on pages 20-24.

Theodore G. Montague
President

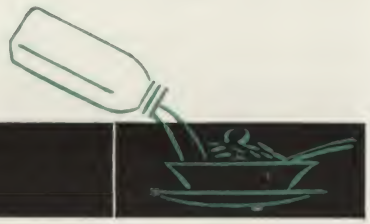
February 18, 1954

In seven cities we replaced our milk delivery fleet with modern and efficient mechanically refrigerated trucks.

Above—Dr. Carl F. Koerver of Borden's (center), describes the American ice cream industry for a broadcast to German-speaking peoples behind the Iron Curtain. Below—Capitalizing on Elsie the Cow's popularity is the touring model of Elsie's Train. The Train took active part in a product promotion campaign in California and Arizona.



FLUID MILK



CONDITIONS IN THE FLUID MILK industry were better than in 1952. Total consumption of fluid milk was greater. The improvement was due primarily to population growth — per-person use having remained the same for several years. Price controls ended. Milk prices were generally lower than a year earlier. Better operating margins were restored in markets which had suffered under price regulations. However, margins in some areas were still too narrow to permit a satisfactory return.

Our experience, in the main, followed the same trend as the industry's. Our sales figures, however, indicate a rate of improvement greater than the gain in fluid milk consumption over the nation. And a better-than-average increase was shown by our sales of specialty items, which include cottage cheese, buttermilk, cream, GOLDEN WHIP pressurized cream, chocolate drink and fat-free milks.

An important step in modernization was the replacement of our delivery fleets in seven cities. The new trucks, which are leased, are insulated and mechanically refrigerated. Experience shows they provide more efficient operation and better preservation of products. Both customers and employees welcome the improvement. We plan to introduce similar equipment in additional markets in 1954 to replace present fleets.

Another significant development was the increase in the sales of GAIL BORDEN milk, our top-quality vitamin- and mineral-fortified fluid milk.

The number of plants handling this product more than doubled. Other plants will offer it as public authorities change ordinances to permit the sale of a milk which is thus fortified. Wherever the product has been introduced, it has been enthusiastically received by consumers and endorsed by nutritionists. A companion vitamin- and mineral-fortified product, GAIL BORDEN skimmed milk, was introduced in several markets.

There was an increased use of two-quart containers. While not a new development, this larger container now enjoys a growing popularity; where available, it accounts for a substantial portion of our total sales. While originally intended for use in store sales to consumers, the two-quart container is being used increasingly on our home delivery routes.

The distribution of milk in paper containers only, to homes as well as stores, was successful at Portsmouth, O. The introduction of paper containers there coincided with extensive alterations to enlarge our plant, and with the change-over to a mechanically refrigerated fleet. Since some special factors were involved in Portsmouth, we are studying other marketing areas to see if all-paper distribution may be effectively widened.

Left—One of our new insulated and mechanically refrigerated delivery trucks. We plan to introduce similar equipment in additional markets in 1954 to replace present fleets.

Far left—At Portsmouth, O., we introduced distribution of milk in paper containers only, to homes as well as stores. Study will show if such distribution can be widened.

BUSINESS OF THIS DIVISION WAS BETTER than in 1952. Sales were the highest on record, despite generally lower prices. The sales improvement was made in the face of increasing competition in several principal lines.

Our sales of consumer products through food stores made an over-all improvement.

Although Government reports indicate declining consumer demand for evaporated milk, sales volume of our brand held up remarkably well. Two major price reductions during the year had an adverse effect on dollar sales but helped to sustain volume.

Now confronted with about 100 competitive brands, Borden's instant coffee again realized a sales increase. Factors in the improvement are our position as a pioneer of pure coffee concentrates, aggressive advertising and merchandising, and the fact that instant coffee took over a larger part of total coffee consumption than ever before. To meet growing demand for our coffee, we started processing at a second plant, at Macon, Miss., to serve southern and western markets.

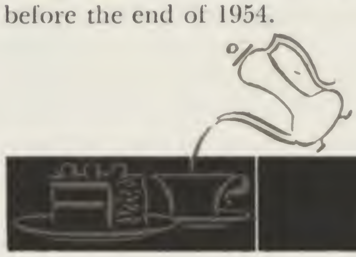
A situation almost paralleling that of coffee affected STARLAC, our consumer-packaged dry skim milk. Increasing competition failed to dislodge STARLAC from its national leadership in a field which it had pioneered. Sales again increased. They should continue to improve because of the product's unique reputation, its high quality and the national promotional efforts in its behalf.

Products of lesser volume had varied sales experiences. Mince meat sales were somewhat higher than in 1952. Condensed milk sales declined. Sales of instant hot chocolate gained, against a loss by our other chocolate-flavored items.

Business of our Industrial Products Department declined. Heavy production in 1952 had built up sizeable trade inventories of some milk products, and development of local milk supplies reduced industrial demand for some of our milk products. Encouraging factors were the cultivation of wider markets for food-industry use of whole milk powder and our powdered fruit juices.

The Export Sales Department had a much better year than 1952. It still faced the basic problems of meeting the competition of countries where production costs are much lower than those of the U. S., and obtaining business in areas where dollars are hard to get and are carefully spent. But our sales rose as import restrictions were eased in some markets. Other factors contributing to the improvement included lower costs, both in the U. S. and Canada, and heavier orders placed in expectation of a shipping strike.

To help meet foreign competition, The Borden Company Holland, N. V., was organized. It is now installing a plant at Amersfoort, The Netherlands, to handle milk powder at lower costs and thus compete more successfully in some foreign markets. The plant will be in operation before the end of 1954.



FOOD PRODUCTS

Right—To meet the growing demand for Borden's instant coffee, we started processing at a second plant, at Macon, Miss., to serve southern and western markets.

Far right—During a food shortage in Eastern Germany, the U. S. rushed supplies. Borden's STARLAC was part of the first shipment sent by the Government.

CHEESE

A SHARP INCREASE IN SALES OF THE Cheese Division over 1952 was due to purchases made by the Government in carrying out its price support program. Our business in branded items was good, but sales of bulk cheese through normal channels dropped.

Cheese consumption was probably discouraged by the prices that prevailed. The Government supported cheddar cheese prices at 37¢ per lb.—about 3% below the 1952 level. Beef, which competes with cheese as a "main dish," declined in price about one-third from the preceding year. This disparity was an important factor in reducing consumer demand for bulk cheese.

While discouraging consumption, the price support program encouraged production of cheddar cheese, which soared to a new high. The volume of cheese moving through consumer channels declined, and excess production was bought by the Government. At the year's end, the Government held about 225 million pounds — almost one-fourth of the entire 1953 production.

Inasmuch as these vast stocks were available at the support price, the cheese market remained at about that level throughout the year. The industry could not hope for a profit from the normal seasonal rise in prices. Lacking such incentive, distributors, retailers and others in the trade did not hold normal inventories. The industry relied on Government stocks for their needs.

We expanded distribution of our BAKE 'N EAT biscuits to most major markets. We opened our third biscuit plant, at Dallas, Texas, but heavy demand for this product kept our Atlanta, Ga., plant on a double shift most of the year.

The outlook is for better business in 1954. Sales should benefit from several new products that were developed and, in some cases, tried in test markets. Changes in our factory operations should result in greater efficiency. Improvements in our distribution practices in some areas strengthen expectations of a better year ahead.

Above—A young miss demonstrates how easy it is to use Borden's Cottage cheese in delicious meals. Occasion was the 10th annual conference of newspaper food editors, in Chicago, Ill.

Left—Among honors to Borden's Wheeler Division plant in Green Bay, Wis., for completing 1,000,000 man-hours work without a lost-time injury was a plaque from President Montague. Here L. G. Butler (right), president of our Lakeshire-Marty Division, presents the safety award to W. F. Cullen, Wheeler Cheese Division's president.

ICE CREAM

THE AMERICAN ICE CREAM INDUSTRY was undergoing a major transition as Borden's entered its second quarter-century in the business. Consumers were developing new buying habits and shifting their preferences for ice cream and the related products of the industry. At the same time, major changes were taking place in manufacture, distribution and merchandising.

This transition had been under way for some years. But the changes appeared in sharper focus in 1953 than ever before. Borden's, as one of the principal manufacturers and distributors in the industry, and proprietor of the country's best known brand, has been actively meeting or anticipating the needs of the changing market.

CONSUMPTION America again increased its demand on the industry. Government estimates indicate higher per-person consumption of ice cream and companion products.

Looking back, the industry found the situation heartening. Per-person consumption had hit a peak of 5.3 gallons in 1946, boosted by the appetites of fighting men and the inability of consumers to obtain many other products. From this peak it had dropped for four years, as troops doffed uniforms and consumers spent their money for products that had been short, until it touched 4.0 gallons in 1950. Then an upward surge started, and has been under way now for three years; 1953's consumption of 4.5 gallons was nearly double that of any prewar year.

Our sales rose in all principal categories — ice cream and, to a greater extent, sherbets, ice milks, and miscellaneous products. LADY BORDEN, the premier product of the ice cream line, again enjoyed a larger proportionate increase than our other ice creams.

CONSUMER PREFERENCES The year's sales pattern was shaped by the changes in consumer preferences. People were apparently shopping carefully; they were watching their budgets and their calories. Sherbets, ice milks, and desserts known as "mellorine," profited from these trends which limited increases in ice cream sales.

Borden's met this shift in preferences by offering a wide-enough variety of products to appeal to every purse and taste. Sherbets and ice milks are standard products in most markets. Relatively new is a dessert manufactured with vegetable fats instead of butterfat, and known to the trade as "mellorine" — the official designation

One of the Borden Company's newest ice cream plants — at Woburn, Mass. The last quarter-century was the period of the ice cream industry's greatest growth, and Borden's expanded its operations until today there are manufacturing plants and distributing stations serving the more populous areas from coast to coast.

in some states. At present, Borden's produces and distributes mellorine in six states.

In selling our brand of mellorine, known as CHARLOTTE FREEZE, Borden's held to the policy it adopted in introducing this type of food: We will not blend vegetable oils with butterfat; we will manufacture only a top-quality mellorine; we will sell the product only where the law permits; and we will label and market it with proper description, as a guarantee that it will not be sold to consumers as ice cream.

The future of each of the industry's various products will be determined to a considerable extent by the price of butterfat, which is the most costly of the fats commonly used in food manufacture. So long as ice cream prices seem high to consumers, many will turn to cheaper foods that contain less butterfat, or that contain other, less expensive ingredients.

BUYING HABITS The most significant phase of the industry's transition was the emergence of the food store as the No. 1 retail outlet for ice cream. This development was marked by changes in shopping habits and in the industry's distributing and merchandising practices.

Even though supermarkets and other food stores provided some 40% of the industry's total outlets and accounted for about one-third of its total sales, drug stores did not lose their traditional popularity. Their per-store sales still were higher than food stores.

But prosperity brought problems to drug stores, too. Fountain service requires help, and help became hard to get, hard to hold, and expensive. Druggists have had to struggle valiantly with this problem during the postwar period.

In contrast, the food stores had an advantage. They could streamline their operations by emphasizing self-service, and they found customers liked to shop in this way.

Self-service brought about changes in the ice cream industry. The emphasis shifted from so-called "bulk" ice cream (sold in large containers for repacking by the dealer), to factory-packed, family-sized containers — the so-called "package" ice cream. This shift was so pronounced that sales of package ice cream, which once accounted for a small part of total sales, actually passed bulk sales in some areas. Borden sales of package ice cream showed a great gain during the postwar period.

The new popularity of package ice cream and the phenomenal growth in the number of homes having frozen-storage facilities paved the way for the sale of ice cream in larger containers. Postwar years saw the installation of some 6,250,000 frozen storage units, exclusive of refrigerator installations; in 1953, about one of every seven homes with electric power available had such a unit. With these facilities, and a price saving as an added advantage, many consumers now buy in gallon and half-gallon sizes instead of the traditional pint and quart packages. So marked was this trend during 1953, that Borden sales in larger containers rose substantially above the preceding year. The custom of having ice cream available at all times in the home serves as a strong stimulus to consumption.

MERCHANDISING CHANGES The trend toward self-service made advertising and merchandising more important than ever before. Shoppers must be "pre-sold" before entering a swift-moving market in which a multiplicity of items competes for their attention. Present-day advertising must create the desire for ice cream, and particularly for the Borden brand; with self-service, present-day merchandising must work to clinch the sale, to do the in-store promotion.

The Borden Company distributes ice cream in 32 states, operates an ice cream delivery fleet from more than 200 distributing centers.

Borden's was the first national advertiser of ice cream, and LADY BORDEN the first nationally promoted ice cream. To meet the more urgent current need for pre-selling, advertising was increased in 1953 in national magazines and TV.

Designers gave Borden packages a "new look" to attract self-service shoppers. Point-of-sale materials, intended to promote the sale of products within stores, were restyled to stimulate greater business from display cabinets and fountains.

OPERATING DEVELOPMENTS The principal challenges to the business were in the fields of manufacturing and distributing. Selling prices and ingredient costs were slightly lower than in 1952, but labor costs continued to follow an upward trend. The problems of this situation demanded — and received — the best efforts of management.

The effect of higher costs on the industry is shown by a recently published study of the operations of representative ice cream manufacturers. Costs of the delivered product vary greatly among local markets, but the survey covered both low- and high-cost areas across the country. The study showed that, in 1952, the national average cost-per-gallon was 6% higher than 1951; 17% higher than 1950; 19% higher than 1949; and 86% more than 1939.

To meet this cost situation, Borden's first concentrated on its manufacturing operations. Equipment and techniques were developed to increase productivity — as a partial offset to higher wages. Improved manufacturing and packaging machinery was installed in many plants. In some areas, production facilities were rescheduled to permit a plant to concentrate on making one product and thus avoid equipment change-overs. Considerable progress along these lines was made in 1953. Yet, despite the increased efficiency and higher volume of business it was impossible to offset the increased costs of production labor.

The operating of a delivery fleet from the more than 200 distributing centers was an even more vexing problem. With higher wages, the cost of distribution has risen steadily. To remedy this situation, efforts were made to reduce the frequency of deliveries and thus increase the volume of products delivered with each call. This was a major departure from easy practices dating back

Upper photo—Combining many functions in one operation, this complex machine manufactures Borden's MEL-O-ROL, a wrapped, individual serving of ice cream.

Center—Up-to-date machines form and wrap ice cream "sandwiches" with speed and efficiency.

Below—Producing one-pint packages of ice cream, this high-speed machinery opens flat cartons, fills them, closes them, then moves the packages over to an endless belt for delivery to the sub-zero hardening room.

ICE CREAM

Top—Fast, modern freezers speed production of "bulk" ice cream. Here empty 2½-gallon containers move up to filler, then are covered and pass on belt to hardening room.

Lower photo—A visual ice cream display cabinet is now standard equipment in many supermarkets. Here a customer selects our premier ice cream—Lady Borden.

to the days when labor costs were a less important factor. But our customers were quick to see the problem, and their cooperation helped streamline distribution and slow down cost advances.

SUMMARY Borden's entered the ice cream business on Jan. 1, 1928 after purchasing the business and trademarks of several local concerns of established reputation. One of these, Horton's Ice Cream, in New York City, has already celebrated its 100th birthday. Thus, Borden tradition dates back to the very earliest days of the modern ice cream industry.

The last quarter-century was the period of the industry's greatest growth, and Borden's expanded its operations until today there are manufacturing plants and distributing stations serving the more populous areas from coast to coast. This growth has continued during the past ten years, particularly in the South. In addition to an expansion in Texas, where the Company has long been established, there are new and successful units in Florida, Georgia, Louisiana, Mississippi, Alabama, Kentucky and the Carolinas.

The essentially local character of the ice cream business makes Borden's a local factor in communities in 32 states. By adhering to a philosophy of decentralized management, Borden's gears its operations to local consumer customs, local laws and regulations, local labor and merchandising practices and local competitive patterns.

Such a policy provides flexibility, and a strength that might be sapped by a centralized push-button management. It has enabled Borden's to meet or anticipate the changes of the last quarter-century and has equipped the Company to cope with whatever conditions may arise in years to come.

The outlook for the future, as viewed at the close of 1953, is good. The normal growth in population will provide more customers. The continuance of good economic conditions should further encourage consumption of ice cream products. The current trends in consumer habits and merchandising gives Borden's, as possessor of a famous name and distributor of the most popular national ice cream brand, an unusual opportunity — which it shall make the most of.

CHEMICAL

OUR CHEMICAL ACTIVITIES WERE carried on with greater success than in the previous year. All departments contributed to the upturn in business.

The improvement started in the latter half of 1952 and reflected conditions in the industries that use our products. Sales continued higher, although gains were less marked in the closing months of 1953, partly because of the high levels reached a year earlier and partly because of declines in some industries we serve.

Buying dropped off in the plywood and furniture industries, both of which are large outlets for our adhesives; in plastic TV and radio sets, a big market for our molding compounds; and in the foundry industry, where our core binder and shell molding resins are employed. We believe conditions in these industries will improve in 1954, and our sales should benefit.

We continued development of new or improved products. Extensive changes were undertaken in our Durite Department to provide better molding compounds. Resins and adhesives were improved through research. The completion of our new research laboratory at Philadelphia, which is the most modern and complete of its kind, will make possible expanded activities along these lines.

Our position of leadership in the casein industry was considerably strengthened.

A new Packaging Adhesives and Specialty Products Department was established. It will develop a wider market for our wet-strength resins throughout the paper industry, and promote use of our labeling pastes and case-sealing glues.

In the consumer field we introduced ELMER'S GLUE-ALL in a convenient and attractive plastic "squeeze bottle." Initial acceptance by the retail trade indicated that the product will sell well.

Facilities for making formaldehyde were expanded at Demopolis, Ala., and resorcinol production got under way at our plant in Los Angeles County, Calif.

At the latter we plan to manufacture for West Coast use many products of the American Polymer Corporation, whose business was acquired during the year. Now a department of the Chemical Division, American Polymer operates plants at Peabody, Mass., and Illiopolis, Ill., and has an interest in companies in Toronto, Canada, and Sao Paulo, Brazil. It manufactures vinyl, butadiene-styrene, acrylic and methacrylic products which expand and strengthen our established line.

Our modern research laboratory, in Philadelphia, Pa., will make possible expanded research in the field of molding compounds, resins and adhesives.

Shown in our new laboratory (l. to r.): D. F. Gould, Lab Manager; A. R. Marusi, Vice President of the Chemical Division; and T. McNaughtan, Lab Chief.

SPECIAL PRODUCTS

ASIDE FROM THE SOY BEAN PROCESSING operations, conditions in our Special Products Division were considerably better than in 1952.

The whole soy bean industry was still beset by difficulties that started in 1951. Beans could not be converted into oil and meal without heavy losses. There was no balanced relationship between bean prices and those of the end products, largely because the Government supported bean prices, while oil and meal sold in a free market. In an effort to check losses, processors, including Borden's, closed down plants for extended periods.

However, with the opening of the new soy crop season in October, there were indications of some improvement. The bean crop was the smallest since 1949. Government estimates indicated food fats would be less available in free markets than in the past year. The price of soy oil increased. The future will be determined to a great extent by Government policies affecting beans, oils and protein meals under various support programs.

The Feed Supplements Department did well, despite an unfavorable situation. Use of feed supplements was discouraged by low-priced feeds for drought relief, and smaller numbers of livestock. There was strong competition from dried whey, a by-product of heavy cheese production. Yet, toward the end of 1953, there was a marked improvement and the Department prepared to market products developed through research.

Our Elgin, Ill., animal nutrition laboratory. Right—Examining ducklings are Doctor H. W. Howard, the Division's director of research, and Borden Vice President H. A. Ross.

Our Prescription Products Department showed decided progress. Sales of BREMIL, our powdered infant food, continued to grow. The market for MULL-SOY, a food for allergic persons, was widened as we introduced a new powdered product to complement the well-established liquid MULL-SOY, which again enjoyed a sales increase.

Other events included substantial expansion of research and the reopening of our New Ulm, Minn., plant for food industry products.

CANADA

THE CONTINUING GROWTH AND prosperity of Canada brought a good demand for our products. Sales were helped by population growth, increased buying power of consumers, and more aggressive merchandising—factors that should be influential again in 1954.

Despite the growth in sales and a lower income tax rate, our profit declined from 1.75% of sales in 1952 to 1.45%. The smaller profit rate was chiefly the result of higher operating costs, although lower prices were also responsible to some extent.

Prices declined because of surpluses of some dairy products. In the case of powdered milk, for example, prices declined considerably. Volume rose, yet earnings from this product not only failed to reflect the increase but actually dropped below 1952. Overproduction did not reach critical proportions, but as supplies more nearly approximate demand the situation should improve.

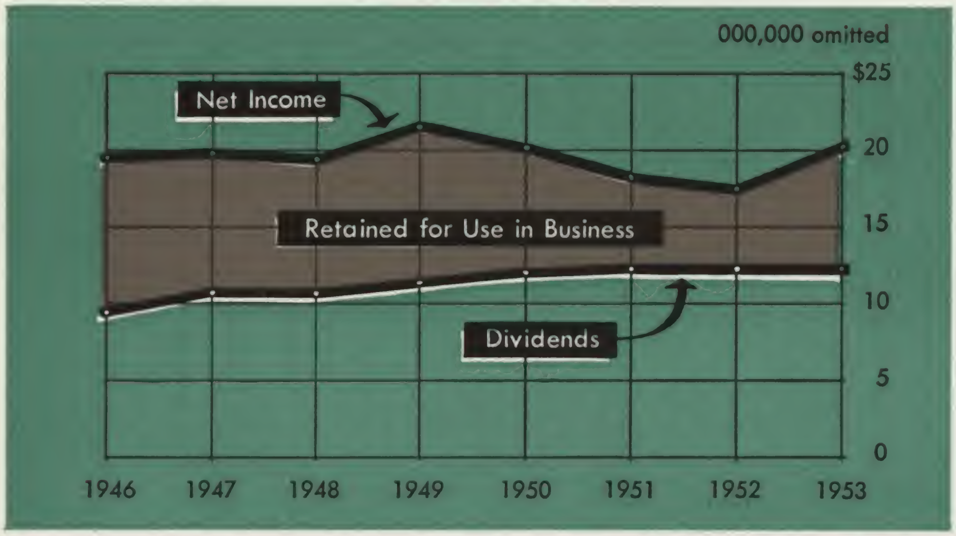
The higher costs were general, but most marked in our fluid milk operations, where prices have not kept pace with costs. More of our branches adopted the more efficient five-day operating week, but its potential economies will not be felt fully for some time.

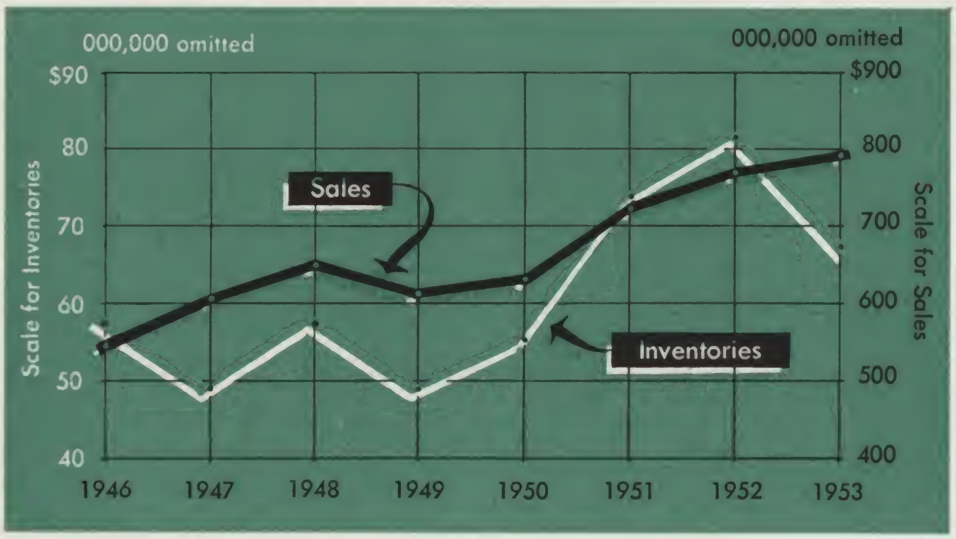
In this struggle with rising costs we consolidated some plant operations, and will consider merging others where conditions demand.

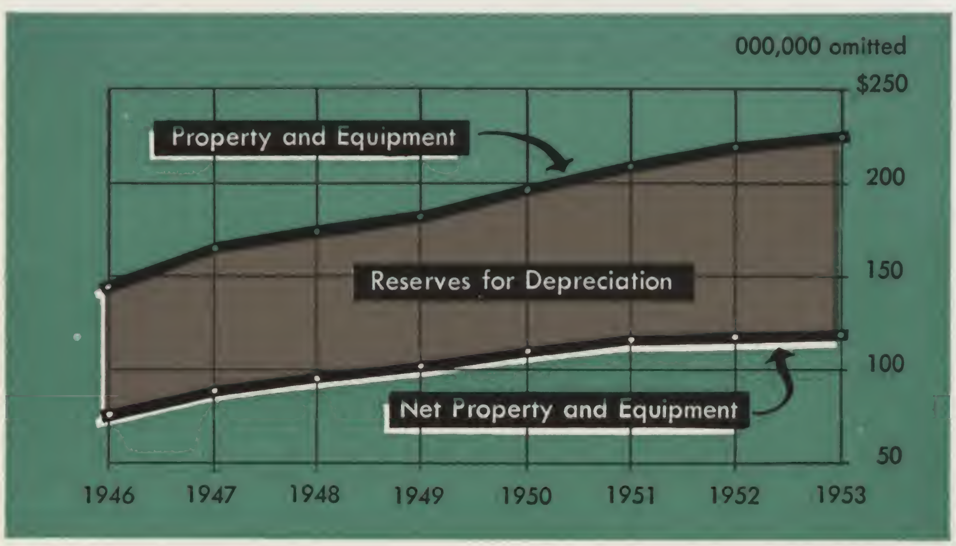
Sales were strengthened by the following: the development of a new and improved dry milk for making cottage cheese; the wider sale of STARLAC, our consumer-packaged dry skim milk, which was introduced in 1952; growth of packaged cheese sales brought about by product improvement and intensive merchandising; and a substantial increase in exports to foreign markets.

Purchases from Canadian farmers totaled about $22,800,000, an increase of 1.5% over 1952. Payrolls moved up to $9,270,069, an increase of 6.6%. Taxes of all kinds — Federal, provincial and municipal — were about 19% lower.

Above—Elsie and her famous traveling boudoir, on one of their popular appearances in Canada. Left—Herbert Marshall plays host on "Times Square Playhouse," one of two TV programs now sponsored by Borden's in Canada.







Since

Operating

Sales . . . .
Payrolls . . . .
Taxes . . . .
Depreciation . . . .
Dividends . . . .
Net Income . . . .
Per Sales Dollar . . . . . .
Per Share . . . .

Financial

Working Capital . . . . . .
Current Assets: Current Liabilities
Inventories . . . .
Property and Equipment . . .
Reserves for Depreciation . . .
Net Property and Equipment . .
Borrowed Capital . . . . . .
Stockholders' Equity . . . . .

Other

Shares Outstanding . . . . .
Dividends per Share . . . . .
Number of Stockholders . . . .
Number of Employees . . . .

World War II

1953	1952	1951	1950	1949	1948	1947	1946
$792,381,721	$768,019,612	$722,770,380	$631,114,120	$613,763,267	$649,592,375	$602,959,406	$542,998,805
$140,063,502	$134,784,228	$122,158,335	$113,004,008	$109,780,054	$106,131,433	$101,175,326	$ 89,000,822
$ 31,942,640	$ 25,317,202	$ 28,525,684	$ 24,345,684	$ 20,889,928	$ 17,554,001	$ 18,461,259	$ 19,371,222
$ 13,294,359	$ 12,301,608	$ 11,285,846	$ 10,366,594	$ 9,661,874	$ 8,512,816	$ 7,703,212	$ 6,791,453
$ 12,034,800	$ 12,027,145	$ 12,036,366	$ 12,019,910	$ 11,593,320	$ 10,944,885	$ 10,807,100	$ 9,508,900
$ 20,264,156	$ 17,667,137	$ 18,080,371	$ 20,147,073	$ 21,890,479	$ 19,179,427	$ 19,793,276	$ 19,581,006
2.56¢	2.30¢	2.50¢	3.19¢	3.57¢	2.95¢	3.28¢	3.61¢
$4.71	$4.11	$4.20	$4.69	$5.10	$4.46	$4.61	$4.64
$119,578,762	$115,921,287	$114,987,211	$101,355,105	$106,653,894	$105,918,817	$ 89,445,530	$ 84,558,487
3.76:1	3.89:1	3.86:1	3.73:1	4.01:1	4.28:1	3.74:1	3.43:1
$ 67,971,612	$ 81,878,083	$ 73,742,837	$ 54,906,173	$ 48,988,814	$ 57,636,783	$ 48,922,300	$ 57,641,793
$224,276,381	$219,487,155	$208,894,814	$196,471,088	$181,709,298	$174,020,197	$162,649,180	$144,943,870
$105,685,809	$101,724,036	$ 93,006,980	$ 86,900,462	$ 81,504,208	$ 77,436,818	$ 73,367,153	$ 69,621,314
$118,590,572	$117,763,119	$115,887,834	$109,570,626	$100,205,090	$ 96,583,379	$ 89,282,027	$ 75,322,556
$ 57,200,000	$ 58,750,000	$ 60,000,000	$ 45,800,000	$ 47,200,000	$ 48,600,000	$ 35,000,000	$ 25,000,000
$185,533,017	$177,012,551	$172,017,360	$166,269,312	$159,759,940	$150,349,937	$142,126,550	$132,000,087
4,300,000	4,295,000	4,300,000	4,300,000	4,291,000	4,300,000	4,292,000	4,217,000
$2.80	$2.80	$2.80	$2.80	$2.70	$2.55	$2.55	$2.25
50,605	51,324	51,479	51,121	52,386	51,788	50,445	49,121
32,465	32,564	32,475	31,545	31,166	31,483	32,399	31,475

ASSETS

	December 31 1953	1952
CURRENT ASSETS:		
Cash	$ 38,865,841	$ 29,418,996
United States Government Securities	13,964,431	2,985,200
Receivables (Less Reserves—1953, $3,271,322; 1952, $3,652,325)	42,061,848	41,758,404
Inventories (Note 2):		
Finished Goods	$ 37,689,911	$ 50,443,685
Materials and Supplies	30,281,701	31,434,398
Total Inventories	$ 67,971,612	$ 81,878,083
Total Current Assets	$162,863,732	$156,040,683
INVESTMENTS AND OTHER ASSETS:		
Unconsolidated Subsidiaries (Foreign and Domestic)	$ 4,800,132	$ 4,477,216
United States and Canadian Government Securities on Deposit (Pursuant to Workmen's Compensation Laws, etc.)	1,718,141	1,720,657
Mortgages, Receivables, etc. (Note 5)	5,049,059	4,675,152
Total	$ 11,567,332	$ 10,873,025
Less Reserves	457,574	840,614
Net Investments and Other Assets	$ 11,109,758	$ 10,032,411
PROPERTY AND EQUIPMENT	$224,276,381	$219,487,155
Less Reserves for Depreciation	105,685,809	101,724,036
Net Property and Equipment	$118,590,572	$117,763,119
DEFERRED CHARGES	$ 3,091,680	$ 2,013,053
TRADE-MARKS, PATENTS AND GOOD-WILL	$ 1	$ 1
TOTAL	$295,655,743	$285,849,267

See page 23 for notes to financial statements.

LIABILITIES

	December 31 1953	1952
CURRENT LIABILITIES:		
Accounts Payable	$ 29,961,407	$ 28,441,540
Accrued Accounts:		
Taxes (after deducting Treasury Savings Notes equal to U. S. Federal Income Taxes—1953, $22,300,000; 1952, $16,000,000)	2,758,453	2,938,155
Other	10,565,110	8,739,701
Total Current Liabilities	$ 43,284,970	$ 40,119,396
THIRTY YEAR $2\frac{7}{8}\%$ DEBENTURES DUE 1981 (Note 3)	$ 57,200,000	$ 58,750,000
RESERVES:		
Insurance	$ 6,958,056	$ 7,198,915
Other	2,679,700	2,768,405
Total Reserves	$ 9,637,756	$ 9,967,320
CAPITAL STOCK AND SURPLUS:		
Capital Stock—par value $15 per share— Authorized 8,000,000 shares; Issued 4,417,958 shares	$ 66,269,370	$ 66,269,370
Capital Surplus (Note 4)	14,529,601	14,417,857
Earned Surplus (Earnings retained for use in the business)	108,557,347	100,327,991
Total	$189,356,318	$181,015,218
Less Treasury Stock—At Cost (Note 5)— (1953, 117,958 shares; 1952, 122,958 shares)	3,823,301	4,002,667
Capital Stock Outstanding— (1953, 4,300,000 shares; 1952, 4,295,000 shares) and Surplus	$185,533,017	$177,012,551
TOTAL	$295,655,743	$285,849,267

Consolidated Net Income & Earned Surplus

	Year Ended December 31 1953	1952
NET SALES	$792,381,721	$768,019,612
OTHER INCOME (Includes Interest, Dividends and Royalties—1953, $1,223,887; 1952, $1,417,329)	2,840,496	1,972,679
TOTAL	$795,222,217	$769,992,291
LESS:		
Cost of Goods Sold	$693,957,886	$682,422,072
Selling, General and Administrative Expenses and Other Charges	57,165,665	52,389,357
Interest Expense	1,731,925	1,771,315
Provision for U. S. and Canadian Federal Income Taxes	22,102,585	15,742,410
TOTAL	$774,958,061	$752,325,154
NET INCOME FOR THE YEAR	$ 20,264,156	$ 17,667,137
EARNED SURPLUS AT BEGINNING OF YEAR	100,327,991	95,081,186
TOTAL	$120,592,147	$112,748,323
DEDUCT:		
Dividends paid ($2.80 a share in 1953 and 1952)	$ 12,034,800	$ 12,027,145
Write-off of Good-Will Purchased during the Year (Note 1)		393,187
TOTAL	$ 12,034,800	$ 12,420,332
EARNED SURPLUS AT END OF YEAR *(Earnings retained for use in the business)*	$108,557,347	$100,327,991

See page 23 for notes to financial statements.

Notes to Financial Statements

(1) BASIS OF CONSOLIDATION: The financial statements include all Canadian subsidiaries and all domestic subsidiaries except one whose operations are not integrated with those of the Company. In consolidating the accounts of Canadian subsidiaries, assets, liabilities and net income were converted at parity of exchange.

The Company's equity (approximately $1,650,000 for 1953, and $1,250,000 for 1952) in the net income of unconsolidated foreign and domestic subsidiaries is included in consolidated net income only to the extent of dividends received (in 1953—$36,137; in 1952—$570,850). The Company's equity in the net tangible assets of these unconsolidated subsidiaries at December 31, 1953, as shown by their books, is approximately $7,300,000 more than its investments in these subsidiaries.

The value of intangible assets, $965,782, purchased during the year 1953 in connection with acquisitions of businesses is included with Deferred Charges. Such items were formerly charged to Earned Surplus.

(2) INVENTORIES: In valuing inventories and in determining the cost of goods sold, average costs (reduced to market if lower) were used, except as to certain products for which the last-in, first-out (Lifo) method was used. For the years from 1939 to 1949, inclusive, the Lifo method was so used for accounting but not for income tax purposes. As of January 1, 1950, the Lifo method was adopted for income tax purposes for all of the products previously on the book Lifo basis plus certain other products. This necessitated restatement of inventory values as of December 31, 1949 on the Income Tax Lifo basis, resulting in Income Tax Lifo values which were $5,469,633 more than the book Lifo values previously adopted. In the Consolidated Balance Sheet at December 31, 1953 and 1952, this latter amount has been deducted from the inventories, including those on the Income Tax Lifo basis, and can be utilized, for accounting but not for income tax purposes, if market prices of products on the Income Tax Lifo basis decline below Income Tax Lifo values.

(3) DEBENTURES: The Company shall pay into a sinking fund a sum sufficient to redeem on March 1, 1955, and on each March 1 thereafter, to and including March 1, 1980, $1,250,000 principal amount of Debentures with the option to increase any payment by an amount not exceeding $1,250,000. The sinking fund obligation due on March 1, 1954 was satisfied prior to December 31, 1953 by delivery to and cancellation by the trustee of Debentures of a principal amount of $1,250,000. The Company also purchased and holds in its treasury Debentures of a principal amount of $300,000 which are not shown as outstanding. Discount and expense of this issue are being amortized over the period during which the Debentures are outstanding.

(4) CAPITAL SURPLUS: During the year, $111,743 was credited to Capital Surplus representing proceeds from disposal of properties previously written off against this account.

(5) STOCK OPTIONS: Capital stock of the Company held in the treasury at December 31, 1953 includes 32,500 shares reserved under the Officers and Employees Stock Option Plan as approved by the stockholders. Of the shares so reserved, 10,000 shares relate to options at $36.25 a share granted on March 31, 1945 and expiring on March 30, 1955, and 22,500 shares relate to options at $45.75 a share granted on January 3, 1946 and expiring on January 2, 1956. The option price in each case was $1.00 more than the last sale on the New York Stock Exchange preceding the date of the granting of said options. There was no effect on income with respect to options exercised to the extent of 3,000 shares at $45.75 during the year. At December 31, 1953, balances receivable for stock purchased under the Plan aggregate $144,113 which amount is included with Mortgages, Receivables, etc.

(6) DEPRECIATION AND RENTALS: Provision for depreciation charged to operations was $13,294,359 for 1953 and $12,301,608 for 1952. Rentals amounted to approximately $3,695,000 for 1953, of which $1,398,000 was related to long-term leases.

(7) CONTINGENCIES: The Company was guarantor of bank loans to foreign affiliated companies in amounts aggregating approximately $1,400,000 at December 31, 1953. See comment on page 5 of this Report for reference to litigation.

ACCOUNTANTS' CERTIFICATE

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

250 PARK AVENUE
NEW YORK 17

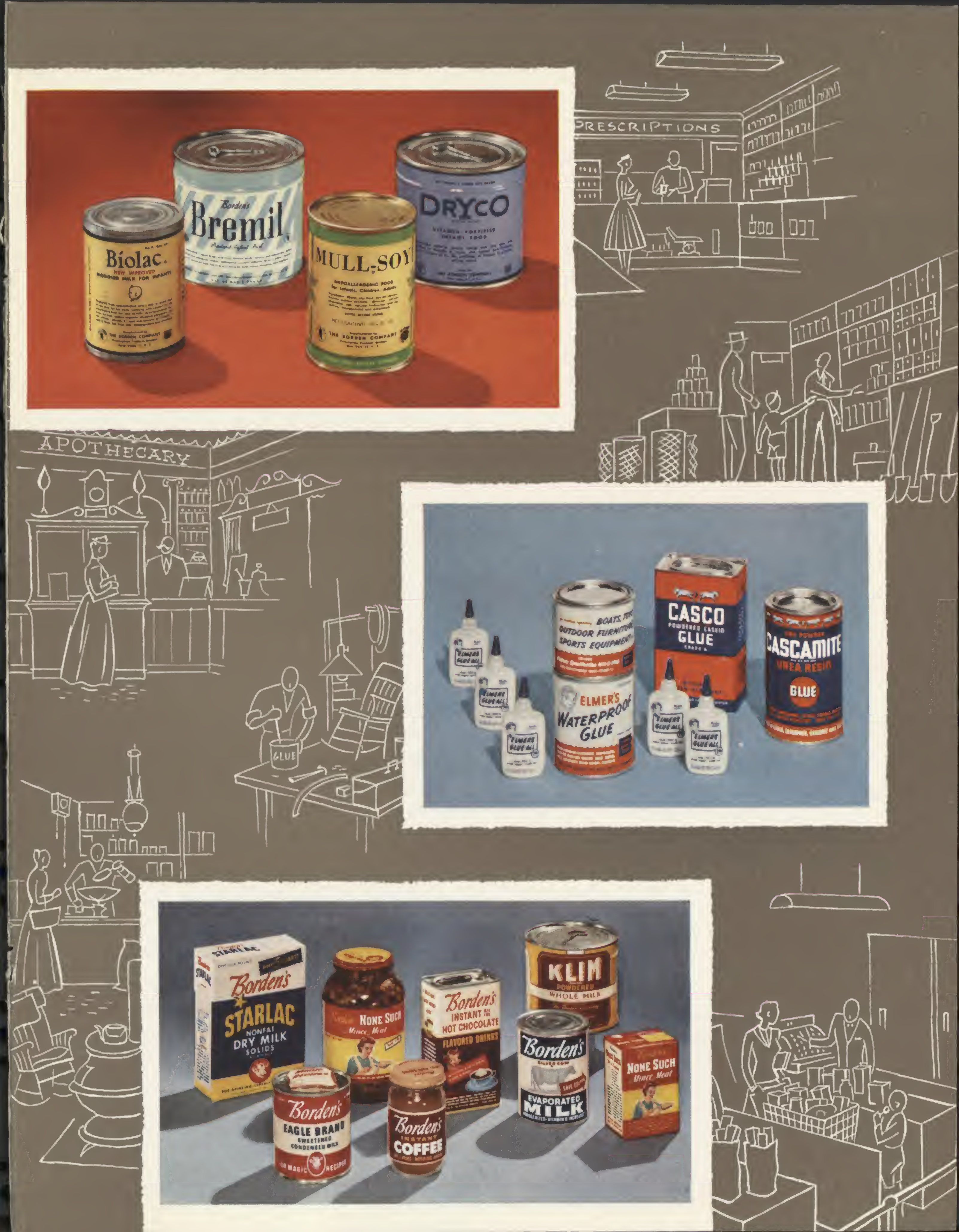
February 18, 1954.

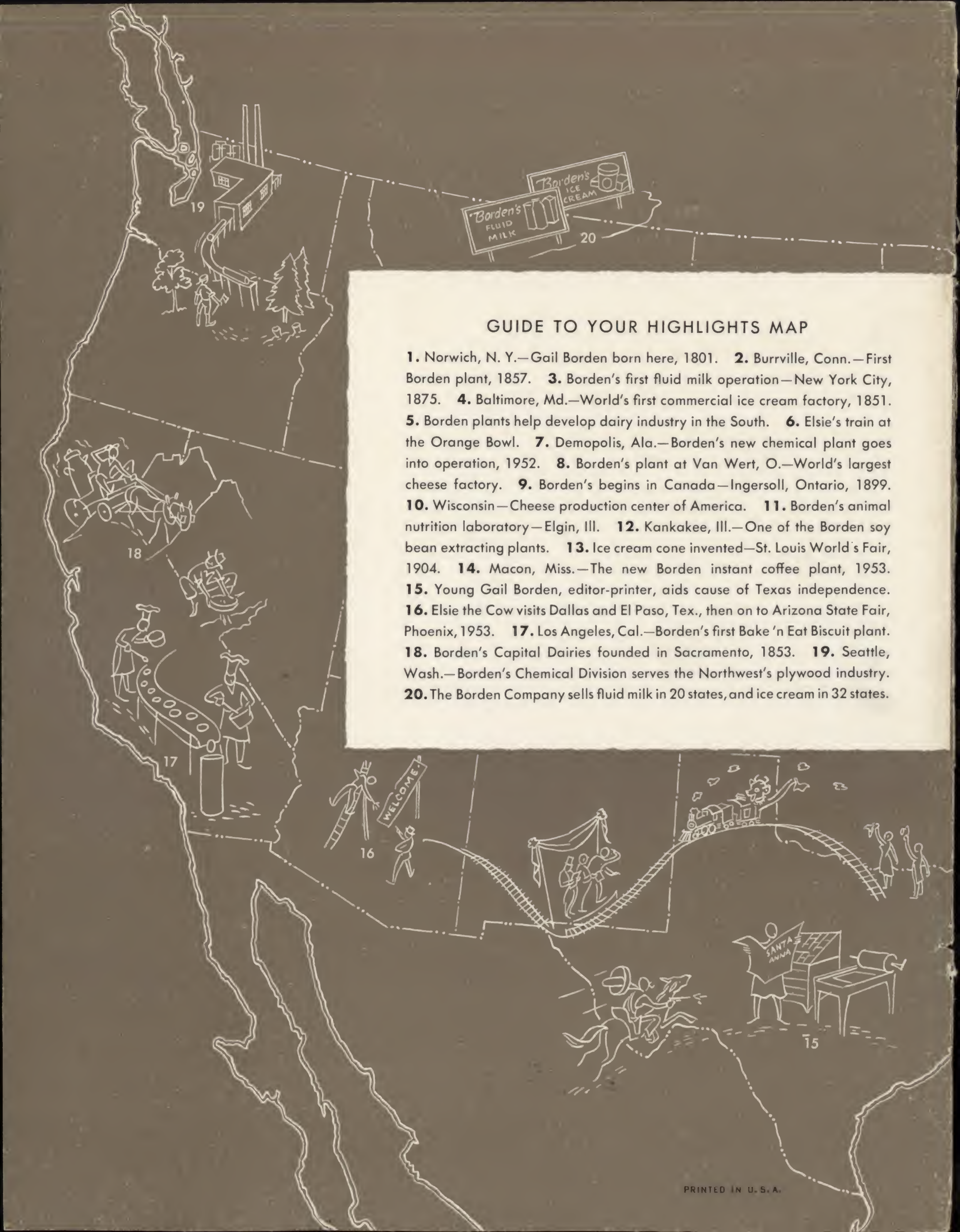
THE BORDEN COMPANY:

We have examined the consolidated balance sheet of THE BORDEN COMPANY and Consolidated Subsidiaries as of December 31, 1953 and the related statement of consolidated net income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated net income and earned surplus present fairly the financial position of the companies at December 31, 1953 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied (except for the change, which we approve, in accounting for intangible assets, referred to in Note 1 to Financial Statements) on a basis consistent with that of the preceding year.

Haskins & Sells


PRESCRIPTIONS
Biolac
NEW IMPROVED
MODIFIED MILK FOR INFANTS
Borden's
Bremil
MULL-SOY
HYPOALLERGENIC FOOD
for Infants, Children, Adults
DRYCO
APOTHECARY
GLUE
BOATS, TOYS
OUTDOOR FURNITURE
SPORTS EQUIPMENT
ELMER'S
WATERPROOF GLUE
CASCO
POWDERED CASEIN
GLUE
CASCAMITE
UREA RESIN
GLUE
Borden's
STARLAC
NONFAT
DRY MILK
SOLIDS
NONE SUCH
Mince Meat
Borden's
INSTANT
HOT CHOCOLATE
FLAVORED DRINKS
KLIM
POWDERED
WHOLE MILK
Borden's
EVAPORATED
MILK
Borden's
EAGLE BRAND
SWEETENED
CONDENSED MILK
Borden's
INSTANT
COFFEE
NONE SUCH
Mince Meat



GUIDE TO YOUR HIGHLIGHTS MAP

1. Norwich, N. Y.—Gail Borden born here, 1801. **2.** Burrville, Conn.—First Borden plant, 1857. **3.** Borden's first fluid milk operation—New York City, 1875. **4.** Baltimore, Md.—World's first commercial ice cream factory, 1851. **5.** Borden plants help develop dairy industry in the South. **6.** Elsie's train at the Orange Bowl. **7.** Demopolis, Ala.—Borden's new chemical plant goes into operation, 1952. **8.** Borden's plant at Van Wert, O.—World's largest cheese factory. **9.** Borden's begins in Canada—Ingersoll, Ontario, 1899. **10.** Wisconsin—Cheese production center of America. **11.** Borden's animal nutrition laboratory—Elgin, Ill. **12.** Kankakee, Ill.—One of the Borden soy bean extracting plants. **13.** Ice cream cone invented—St. Louis World's Fair, 1904. **14.** Macon, Miss.—The new Borden instant coffee plant, 1953. **15.** Young Gail Borden, editor-printer, aids cause of Texas independence. **16.** Elsie the Cow visits Dallas and El Paso, Tex., then on to Arizona State Fair, Phoenix, 1953. **17.** Los Angeles, Cal.—Borden's first Bake 'n Eat Biscuit plant. **18.** Borden's Capital Dairies founded in Sacramento, 1853. **19.** Seattle, Wash.—Borden's Chemical Division serves the Northwest's plywood industry. **20.** The Borden Company sells fluid milk in 20 states, and ice cream in 32 states.

PRINTED IN U.S.A.